

## **2. Base Year in GDP Calculations**

**Prelims:** Economy

**Mains:** GS-III Indian Economy

### **Why in News?**

- At a time when India is facing an economic slowdown in GDP growth the Ministry of Statistics and Programme Implementation announced that the new base year for the GDP series will be decided in a few months.

### **Base Year:**

- The base year of the national accounts is chosen to enable inter-year comparisons.
- It gives an idea about changes in purchasing power and allows calculation of inflation-adjusted growth estimates. The last series has changed the base to 2011-12 from 2004-05.
- The base year is a benchmark with reference to which the national account figures such as gross domestic product (GDP), gross domestic saving, gross capital formation are calculated.

### **How is a Base Year calculated?**

- In India, the first estimates of national income were published by the Central Statistical Organisation (CSO) in 1956 taking 1948-49 as the base year.
- With the gradual improvement in availability of data, the methodology was revised.
- Earlier, CSO depended on the population figures in the National Census to estimate the workforce in the economy.
- Therefore, the base year always coincided with the census figures like 1970-71, 1980-81 etc.
- Subsequently, CSO decided that the National Sample Survey (NSS) figures on the workforce size were more accurate and hence, the base year would change every five years when the NSS conducted such survey.
- This system was started from 1999 when the base year was revised from 1980-81 to 1993-94.

### **Need and Changes:**

- The base year prices are termed as at constant prices. This reduces all the data to a comparable benchmark, base year price.
- The base year is a representative year which must not experience any abnormal incidents such as droughts, floods, earthquakes etc.

- 
- It is a which is reasonably proximate to the year for which the national accounts statistics are being calculated.
  - The base year has to be revised periodically in order to reflect the structural changes taking place within an economy, such as increasing share of services in GDP.
  - The more frequently the base year can be updated, the more accurate the statistics will be.

